

CUSTOMER RELATIONSHIP MANAGEMENT

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Abstract: *After 17 years of economical and market development, Romanian companies face a new challenge: the tough competition from the European Union and the battle for the customers. The Romanian enterprises will have to learn not only how to attract customers, but also how to keep them. Marketing programs include now aspects regarding customer orientation, relationship management, loyalty and quality. In this paper, we will follow the main aspects, characteristics, dimensions and processes of Customer Relationship Management, and we will analyze the challenges that the local companies will have to face. Examples from the financial service sector will round the actual situation of the implementation of the CRM rules and principles in Romania.*

Keywords: marketing information system; customer relationship management; business asset, customer acquisition; customer retention.

1. Introduction

In the last decade, the majority of the companies were preoccupied with production, recession, mergers, new technologies and business regulation. Romania's accession in the European Union will bring many advantages for further development, together with membership in a Common Market with common policies on product regulation, and freedom of movement for all the four factors of production (goods, services, capital and labor)

This means that Romanian companies will compete with other companies from the EU directly in their home market. European companies are more flexible and mobile and will put a high pressure on the local companies in order to produce better products, launch better offers and services and orientate more towards their customers.

High revenue equals important customer is a classic rule when the company organises its customer policy. "An important customer brings a gross amount of money for our enterprise" has become a reflex for many companies abroad and perhaps in Romania, too. But is this always true, or do we need more information than a simple figure reported at the end of the year?

2. Marketing information system

A winning company is more productive in acquiring and retaining customers, to expand its clientele (Kotler, 2003). This company improves the value of the customers by reducing the rate of defection, increasing the longevity of customer

relationship, making low-profit customers more profitable or terminating them etc. Gathering information on the actual or potential marketplace not only allows the organisation to monitor trends and issues concerning its current customers, but also helps it identify and profile potential customers and new markets, to keep track of its competition, their strategies, tactics and future plans (Brassington and Pettitt, 2003). In order to collect and organize a high quantity of diverse information, the enterprises started to build marketing information systems. There are, mainly, a set of procedures and methods by which pertinent, timely and accurate information is continually gathered, sorted, analysed, evaluated, stored and distributed for the use of marketing decision makers (Zikmund and D'Amico, 1993). The marketing information system includes data from external and internal sources (sales records, customer records, marketing communications, and sales force information). The focus on the customer and the integration of the marketing function helps the company to create customer databases with comprehensive information about individual customers or prospects.

3. Customer relationship management

Customer Relationship Management has been around for the last 30 years, but it became very important when companies changed their attitude towards marketing function. Nowadays, the cross-functional approach to marketing requires an organizational culture and climate that encourages collaboration and cooperation between departments. People within the business must understand their role in serving customers, internal or external one. CRM builds on the principles of relationship marketing and recognizes that customers are a business asset and not simply a commercial audience, implies the structuring of the company from functions to processes, information are used proactively rather than reactively and develops the one-to-one marketing approaches (Payne, 2006).

When defining CRM, we must first explain the difference between *customer acquisition* and *customer retention*. The two concepts have different drivers. Attracting customers has become very difficult these days, when people are harder to please. They are smarter, price conscious and sensitive, more demanding, less forgiving, and they are approached by many more competitors with equally good or better offers (Kotler, 2003). Companies focus more on sales analysis, customer segmentation, advertising, merchandising and campaign management. The more difficult part is keeping the customers. According to Bruhn, a customer is satisfied when the comparison between offer and consumption fulfils his/her expectations, after he/she accepts the company, trusts it and exhibits a positive attitude towards it, becomes loyal to that company. In this situation, the customer talks favourably about the company and about its products, pays less attention to competing brands and is less sensitive to price, which turns transactions into routine (Bruhn, 1999). With customer retention, the company must pay attention to service satisfaction and trust in

the organization and its staff. Some companies believe that if a customer complains the problem will be solved, but 96% of unsatisfied customers don't complain and go to another company.

Therefore, Customer Relationship Management is the mechanism for retaining customers (Russell-Jones, 2003).

Mainly CRM allows the company to understand who their customer is, isolate the best customer (those with whom you desire to have long-standing relationships), create relationships stretching over time and involving multi-interactions, manage the relationship to mutual advantage, seek to acquire more of those "best" customers. Inputs like marketing strategy, customer base, products, and regulation, competitors and staff skills are synthesized in a CRM programme which creates outputs as customer service, customer retention, higher share of wallet, customer referral, more predictable revenues streams, improved profitability, lower costs and better compliance (Russell-Jones, 2003).

4. Developing a strategy in customer relationship management

Because CRM is a cross-functional activity and large companies have thousands and millions of customers, the need for a strategic framework is very high. The dimensions of a CRM strategy are mainly focused on defining the following topics:

- *object of the customer relationship management* – the company has three options: focusing on the company itself, on a brand or on the distributor;
- *target segment* – the company usually sets priorities between different customer segments, it defines strategic customers based on the portfolio analyses, factors as revenue, length of the relationship, income, collaboration with the customer. These are its analysis criteria;
- *ways of retaining the customers* – customers' satisfaction is in the centre of all the decisions, but customers retention can also become a central issue through contractual clauses, such as service, leasing and warranty;
- *choosing the instruments of CRM* – the company combines the instruments of the 4P's with focus on the customer;
- *intensity and timing of the CRM decisions* – show when and how should the company introduce different instruments; programmes can last from one day to one week, or from three month to two years;
- *cooperation within the CRM programme* – sometimes the company must cooperate with other partners from the distribution channel, mainly between producer and wholesaler and retail.

5. Instruments of customer relationship management

The communication policy plays an important role in the instruments mix. It follows two objectives: first, to build a permanent dialogue with the customer in order to stabilize or change its expectations, and second, to counteract influences after consumption. The main CRM instruments within the communication policy are:

Direct-Mail is material distributed through the postal service to the recipients' home or business address to promote a product or service. In CRM the mailed issue can vary from a simple letter to a catalogue, and its sending will always occur at a particular moment in customer's life (birthday, invitation for an event). It must incorporate sticky gadgets to increase their chances of being opened and read;

Newsletters are distributed to customers for free and contain information about new products, offers for special events and others;

Fidelity cards (store cards) are an important tool in gathering information about customer behaviour. By accumulating points of fidelity, the customer can benefit from different special offers;

Clients club designates a concept which has grown in parallel with the fidelity cards. Its main forms are VIP-Club, Fan-Club, Product-Interest-Club, and Lifestyle-Club. The club represents an opportunity for the company to make offers in accordance with the social status, acceptance, prestige and expectations of its customers;

Telemarketing allows companies to undertake marketing research and is highly measurable and accountable; the number of positive and negative responses are easily recorded and monitored. It provides for interaction, is flexible and permits immediate feed-back.

Online-marketing includes many forms such as on-line advertising, on-line sales promotions, on-line direct marketing, on-line public relations, one-line personal selling. The medium used is the internet and the main instrument is the email. Virtual promotions are cheaper than hard copy versions, but the challenge is to drive traffic to your company's Web site.

Event-marketing takes place in three main areas: the product (here, it focuses on increasing sales), the corporation (for developing a corporate body) and the community (to make a difference in the life of the local community) (Bruhn, 1999& Fill, 2002).

The price policy can be thought about in various ways when building a CRM programme: discounts for special customers, underselling or matching competitors, loyalty refunds, bundling items together and offering overall prices. Although price is not a measure of inherent value received, it is often used by customers as a benchmark, ignoring any other features or differences.

Key factors in **the product policy** are the *product* itself, with quality, design, technical features, *packaging* and *service management* which includes lifelong warranty, price warranty or a customer telephone line.

An active management in the **distribution policy** can focus on the customer or on the distribution channel. The producer evaluates the activity of the distribution partner and

intervenes when needed. The focus on the customers is realised through a Key Account Management which develops programmes for special customers.

6. Customer relationship management in financial services

Financial services differ from many other industries. This can be seen particularly in Romania, where 40 commercial banks fight for a population of 21 million citizens.

They cover the whole spectrum of customers from individuals to partnerships, institutions, corporations and governments. As a result, it can be very difficult to focus on single markets. Customers are often in two positions: they may have a deposit and savings accounts, but also loans and overdrafts. They are very service focused, they sell only intangibles. Financial services require processing billions of transactions worldwide and they are one of the heaviest regulated industries in the world (Russell-Jones, 2003). The customers in the financial services are better informed, are switching channels, and seem to be more demanding of service, and used to change. The market is also highly competitive and new entrants are coming with diverse products and approaches.

The industry of financial services in Romania has a very high potential and registers every year high growth rates. Till now, the location in a major city of the country with a population around 300.000 people was an advantage of the business and a success factor. Now the battlefield has moved in the small towns. The competition became tougher; banks began to develop and to introduce new products. Some experts say that a weakness of the banking sector is market segmentation. There is lots of information about customers, but it seems that banks prefer to focus on clients with large savings accounts. The main banks in Romania, as BRD, BCR, ING, and HVB-Tiriac announced for the year 2005 an increase in the number of the private banking clients. These are mainly customers with accounts between 50.000 and 100.000 Euros, they benefit of private consultancy, special interest rates, commissions, and special insurances.

Customers have also a word to say about their bank. A market study made by Deadalus Consulting revealed that the customer profile for banking services is: person aged between 45-55 years, with higher or middle education. The most utilized service is the bank card for salaries payment (32,6%). Next, savings accounts (10,2%), credits for personal needs (11,1%), credits for buying electronics (9,2%) and auto leasing. The best grades were received by Raiffeisen Bank (8,83), BCR (8,58) and BRD Societe Generale (8,57). A customer's criteria when choosing a bank are the trust in the bank, the environment in the branch, the quality of the staff, the advice they receive, the best interest rate they can receive, the information about the credit costs, and the conditions for obtaining a credit.

A successful service provided by the majority of the banks is internet banking. It allows clients to save time and money, without going to the bank, 24 of 24 from inside

or abroad. The access is free of charge or very cheap, and includes all kinds of activities from money transfer, payment orders, currency exchange, payment of current bills, external payments etc. The rate of penetration is still low, ranking between 10% and 30% of the customers in one middle bank.

7. Conclusions

Romanian companies must focus in the future on the Customer Relationship Management and try to turn a “susceptible” client into a “partner”, to transform people who once needed their product/service, or occasional business partners into supporters and advocates and, eventually, into loyal partners that “sell” on the behalf of the company. Companies must create a permanent dialogue with their customers, and fight for them, because the clientele is not given for free. Customers that were price sensitive show now a higher interest in quality, service and behaviour of staff, and a company which concentrated on a price strategy should check how prepared its rivals are for a competition in the aforementioned fields. Customer Relationship Management increases its flexibility and adaptability to the market, in a world of capricious clients.

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